

Audit Committee minutes **Friday 15 June 2018**

Members:

Ailsa Beaton (chair)	Non-Executive Director
Roger Barlow	Independent Audit Committee member
Jane McCall	Non-Executive Director

Attendees:

ICO

Louise Byers	Head of Risk and Governance
Elizabeth Denham	Information Commissioner
Heather Dove	Head of Finance

Internal Auditors

Michaela Spiller	Mazars
Peter Cudlip	Mazars

External Auditors

Paul Keane	National Audit Office
David Eagles	BDO (joined by phone for item 5)
Mark Colman	BDO

Secretariat

Peter Bloomfield	Senior Corporate Governance Manager
Caroline Robinson	Corporate Governance Officer

1. Introductions and apologies

- 1.1. Apologies were received from Paul Arnold.

2. Declaration of interests

- 2.1. No declarations were made.

3. Matters arising from the previous meeting

- 3.1. The minutes of the previous meeting were agreed.
- 3.2. Louise Byers updated the Committee on the outstanding action regarding the timing of a decision as to whether or not the ICO should set up a remuneration committee. A proposal relating to this matter would be put to the August Management Board. However, it was emphasised that the matter would also be discussed with ICO trade unions as it was linked to current negotiations on pay.
- 3.3. Management confirmed that a final decision on the setting up of a remuneration committee rested with the Commissioner who would receive advice from the Board.
- 3.4. Ailsa Beaton suggested that if a remuneration committee was proposed to the Board, it ought to operate proactively; identifying issues in advance and acting on them.

4. Commissioner's update

- 4.1. Elizabeth Denham updated the Committee on major issues affecting the ICO, in particular the commencement of the Data Protection Act 2018 and implementation of the GDPR in late May. The ICO had faced unprecedented numbers of enquiries about the changed legislation and had seen a surge in new registrations.
- 4.2. She also advised the Committee of progress in recruiting to the new Director level of management at the ICO, with ten new Director posts currently being interviewed for. A new temporary position of Executive Director Technology Policy and Innovation had also been advertised.
- 4.3. It was confirmed that a new probation policy would be in place in the near future.
- 4.4. It was observed that the high media and political profile of the ICO at the moment and its pay flexibility had helped improve the retention of existing staff and the recruitment of new staff.

- 4.5. Finally the Commissioner explained that for the first time an Information Commissioner had been asked to appear before the European Parliament to discuss the handling of high profile investigations.

5. External Audit – Audit completion report

- 5.1. Mark Coleman representing the external auditors confirmed that they were anticipating recommending to the Comptroller and Auditor general that he should certify the 2017-18 financial statements with an unqualified audit opinion.
- 5.2. The unadjusted misstatement of £118,000 was highlighted. The Committee agreed that the unadjusted misstatement was below the materiality threshold and confirmed that they were comfortable with the recommendation not to adjust the accounts.
- 5.3. The Committee confirmed that they were not aware of any fraud.
- 5.4. The Committee noted the draft audit certificate and recommended that the Information Commissioner, Elizabeth Denham, sign the letter of representation.
- 5.5. In respect of progress in finalising the management agreement with DCMS, this still remained in draft but it was expected to be finalised shortly. The intention was to reflect the Commissioner's independence, and the newly agreed pay flexibility in the document. There was also discussion as to the recommendation around payment control weaknesses. The Committee questioned why it had been included as management had confirmed that the current control was permanent. BDO explained that the recommendation would be removed from the audit completion report for 2018-19.
- 5.6. The Committee noted that MyCSP had not as yet provided pensions information to inform the Remuneration Report. NAO reported that it had seen improvements in the MyCSP service to other organisations. However in the case of the ICO the pension's information remained outstanding with no indication as to when it would become available.

Action Point 1: Peter Bloomfield to investigate the reasons for the delay in receiving the needed pensions information and to initiate steps to ensure a timely process next year.

- 5.7. The Chair thanked BDO and the Finance Department for the hard work and cooperation involved in preparing the

accounts and in preparing the audit report. The early flagging up and addressing of issues had helped smooth the process and was appreciated by the Committee.

6. Audit Committee Annual Report 2017-18

- 6.1. The report is the Committee's formal assurance to the Commissioner.
- 6.2. This draft reflected the internal audit opinion that had come to the previous committee meeting in draft format and which had been circulated to Committee members prior to this meeting as a finalised document. The document also anticipated the clean external audit opinion given earlier in the meeting but wording needed to be agreed.
- 6.3. The Committee agreed the draft subject to minor amendments relating to clarifying that Committee members had had sight of the finalised internal audit opinion, the appointment of the new internal auditors, and consideration of the timing of the report's publication. The final version as then to be cleared by the Committee chair.

Action Point 2: Peter Bloomfield to amend the document as discussed and clear it for publication with the chair of the Audit Committee.

7. ICO Annual Report and Accounts 2017-18

- 7.1. The most recent version of the ICO Annual Report and Accounts 2017-18 was presented for discussion and clearance in so far as possible. As already noted the pension's information was still to be received and the Commissioner's foreword was still in draft. However the rest of the document was near final.
- 7.2. In respect of the Remuneration Report there were concerns about the accuracy of some of the figures and about the use of £5k bands. The report would be checked for accuracy by HR, Finance and the external auditors before it was signed and presented for certification. In addition footnotes would be added to highlight where senior managers had only been in post for part of the financial year.
- 7.3. The Committee asked that figures for ICO income in the section detailing the long term expenditure trends should be rounded. It was also highlighted that current estimates on fee income had changed and that figures in the report needed to be updated accordingly.

- 7.4. The Committee also expressed the view that more detail should be included in the operational performance analysis.

Action Point 3: Peter Bloomfield to make the necessary amendments to the draft Annual Report and Accounts 2017-18.

8. Risk and opportunity management

- 8.1. Louise Byers introduced the risk and opportunity register, highlighting recent changes. There would be a more in-depth review of the register at the October meeting.
- 8.2. The Committee asked about the impact on both the risks and opportunities, and on their management, from the introduction of the new Director level of managers. Louise Byers explained that there had been some initial discussion on this and that the ownership and actions of the risks in particular should be reviewed in light of the appointment of the new Directors. Further work would be done on this.

9. Finance

- 9.1. Heather Dove introduced the May finance report, highlighting issues of interest.
- 9.2. Data Protection fee income is up, showing a 9% increase in the second month of the financial year. The income forecast will be revised in August once several more monthly figures are available.

10. Outstanding audit actions

- 10.1. Peter Bloomfield confirmed that there are no late recommendations and that one recommendation, relating to ownership of printer disks, had been cleared.

Action Point 4: Peter Bloomfield to change the completion date for the Remuneration Committee.

11. Internal audit update

- 11.1. Peter Cudlip confirmed that Mazars had recently finished the fieldwork on the assurance mapping review and were in the process of planning further reviews. They had also established good relationships with key management.

- 11.2. The Committee agreed to bring the date for the October meeting forward to 15 October. This could have an impact on delivery of the Cyber Security review.

Action Point 5: Mazars and Corporate Governance to review the dates for the Cyber Security review in light of the change to the Audit Committee date with the aim, if possible, of bringing the report to the Committee on the new date.

12. Lessons learnt –website incident

- 12.1. Louise Byers presented a report on lessons learnt from a recent issue involving the ICO's accessibility software on its website.

13. Any other urgent business

- 13.1. Elizabeth Denham thanked the committee for their advice.